

**Addalachchenai Pradeshiya Sabha**  
**Ampara District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 13 July 2015 and the financial statements for the preceding year had been presented on 15 July 2014. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 October 2015.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the AddalachchenaiPradeshiyaSabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Compliance with Sri Lanka Public Sector Accounting Standard**

According to the Sri Lanka Public Sector Accounting Standard No.02, cash flow statements should be furnished with the financial statements. However, cash flow statements had not been furnished.

**1.3.2 Accounting Deficiencies**

The following accounting deficiencies were observed.

- (a) The sum of Rs.76,159,314 paid to 4 contractors up to end of the year under review on behalf of buildings and roads under the Puraneguma (NELSHIP) Programme had been entered in the ledger. However, the amount shown in the financial statements was Rs.99,860,690. As such, a sum of Rs.23,701,376 had been overstated.
- (b) According to the ledger, the revenue obtained during the year under review on behalf of slaughtering of animals and disposal of their remnants amounted to Rs.3,434,950. However this had been shown as Rs.3,499,900 in the financial statements, thus overstating the revenue by Rs.64,950.
- (c) The stock of electrical equipment valued at Rs.96,392 which had been misplaced during the year 2005 continued to be shown as closing balance in the financial statements.
- (d) The sum of Rs.1,038,678 due as fees from the Karaitivu Pradeshiya Sabha on behalf of solid waste material management for the months of May to December of the year under review had not been shown as an asset.
- (e) The stock of electrical goods valued at Rs.41,650 as at 31 December 2014 had not been brought to account.

- (f) The value of library books destroyed as per recommendations of the board of survey of 2012 and 2013 had not been assessed and adjusted in the books.
- (g) The value of 526 library books amounting to Rs.125,426 donated to 5 libraries maintained by the Sabha during the year under review by the Asia Foundation and by the Assistant Commissioner of Local Government had not been brought to the Assets Accounts.

### 1.3.3 **Accounts Receivable and Payable**

- (a) Action had not been taken up to the date of audit of 11 September 2015 to recover the arrears of meat stall lease rent amounting to Rs.273,300 for the period 2005 to 2012.
- (b) Action had not been taken up to end of the year under review to recover the sum of Rs.350,322 receivable from the Ceylon Electricity Board for street lighting and consumption of electricity. Instead, It had been continuously brought forward in the financial statements.

### 1.3.4 **Non-compliance with Laws, Rules, Regulations etc.**

Instances of non-compliance with the laws, rules, regulations and management decisions shown below were observed in audit.

- | <b><u>Reference to Laws, Rules, Regulations etc.</u></b>  | <b><u>Non-compliance</u></b>  |
|---|---|
| (a) Sections 12(1) and (2) of the Pradeshiya Sabha Act No.15 of 1987 and sub section 31(1) of the Gazette Notification No.488/16 Of 13 January 1988 of the Ministry of Local Government, Housing and Construction | Separate working committees had been established for cash, policy planning, housing constructions, social developments etc., in order to obtain clear decisions and advices so as to facilitate the activities of the Pradeshiya Sabha. However, except the cash, other working committees had not functioned during the year under review. |
| (b) Financial Regulation 571(2)   | Action had not been taken up to 11 September 2015 either to pay or to bring to revenue the lapsed deposits of Rs.1,507,537 exceeding 4 years.   |

## 2. **Financial Review**

### 2.1 **Financial Results**

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs6,249,699 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.8,360,916 resulting in a deterioration in financial results of the year under review by Rs.2,111,217.

## 2.2 **Revenue Administration**

### 2.2.1 **Performance in collection of Revenue**

Significant variances were observed between the estimated revenue and the revenue received during the year under review, as per information furnished by the Chairman.

<u>Item of Revenue</u>	<u>Estimated Revenue</u>	<u>Revenue recovered</u>	<u>Revenue not Recovered</u>	<u>Revenue not recovered, as a percentage of estimated revenue</u>
	Rs.	Rs.	Rs.	%
Rates and Taxes	156,000	20,965	135,035	13.4
Lease rent	1,560,000	396,575	1,163,425	25.4
Licence fees	1,020,000	432,500	587,500	42.4
Service charges	8,280,000	5,481,221	2,798,779	66.2
Stamp fees and court fines	15,010,000	4,907,149	10,102,851	32.6

### 2.2.2

- (a) Advertisement board charges had not been recovered for 31 trade advertisement boardsexhibited by 06 private organizations to promote their trading items, within the authoritative area of the Sabha as required by Section 126 (v11) (8) and sub section (xxx) of the PradeshiyaSabha Act No. 15 of 1987. As a result, an annual revenue of Rs.461,550 had been deprived of.
- (b) Seven telecommunication towers had been established within the authoritative area of the Sabha during the period 2011 to 2013. Charges had not been levied from them up to 11 September 2015 and as a result the revenue for the year under review amounting to Rs.548,800 had been deprived of.
- (c) Action had not been taken to recover up to 11 September 2015, the licence fees of Rs.104,200 from 35 companies established within the authoritative area of the Sabha.

## 3. **Operating Review**

### 3.1 **Management Inefficiencies**

The following matters are observed.

- (a) Action had not been taken to remit to the Employees' Provident Fund contributions aggregating Rs.142,459 recovered from the employees' salaries from 2000 to 2007 up to the date of audit of 11 September 2015.
- (b) The PradeshiyaSabhad purchased 100 Sodium electric bulbs and fittings needed for it valued Rs.1,316,000 for installation on main roads during the years 2013 and 2014. However, only 21 of them were in working condition and the rest of 79 bulbs were inoperative for about one year. Necessary action had not been taken in this regard up to the date of audit of 11 September 2015.

- (c) Two thousand three hundred bulbs had been had been purchased for Rs.719,900 during the year under review for Installation in interior roads. More than 600 of those bulbs had been fixed. However, they were burnt during the guaranteed period and had remained in the stores for over 6 months. No action had been taken in this regard.
- (d) Six solar power electric bulbs had been purchased for Rs.510,000 and installed in the main road leading from Oluwil to Palamunai within the authoritative area of the Sabha during the month of January 2014. However, they had become inoperative in March 2014. Action had not been taken to repair them up to 14 September 2015, the date of audit.
- (e) The Sabha had been using 03 vehicles obtained as donation from various organizations for over 05 years. However, action had not been taken to transfer ownership of these vehicles infavour of the Sabha.
- (f) Shortages of 198 assets of 24 varieties had been pointed out at the board of survey carried out by the PradeshiyaSabha in 2012 and 2013. However, the management had not taken action in this regard up to 26 November 2014.

### 3.2 **Contract Administration**

#### (a) **Construction of the public market building**

The construction of public market building was over and had been handed over on 15 May 2015 for usage of the public and 05 stalls had been opened. However, only 1 of those stalls had been given on lease for usage.

#### (b) **Construction of an office building**

According to the information obtained in audit, the contractor of this construction who had furnished an advance bond for Rs.8,686,787 and 2 performance bonds valued at Rs.2,171,700 were observed to be bogus ones. However, the Sabha had not taken legal action against the contractor up to 14 September 2015.

#### (c) **Concrete Road – Jumma Mosque Road**

According to the plan prepared for concreting and renovating the Jumma Mosque Road, 3516 kgs of iron rods of 6 mm measurement were required. However, according to the measurement report furnished by the contractor, 2,860 kgs of iron rods only had been used. As such, the existence of the road had become questionable.

#### (d) **Slaughter House Fees**

The following deficiencies were observed with regard to the slaughter house renovated by the Sabha in 2005 by spending Rs.680,000.

- (1) This building had been constructed in a private land. However, action had not been taken to acquire the ownership of this land up to now.

- (11) The walls, doors and windows of the slaughter house had been repaired during the year under review by spending Rs.223,660. However, the doors and windows had broken six months after the repairs.
- (111) The skin and other remnants of the slaughtered animals had been allowed to be kept without being disposed of immediately resulting in environmental hazards to the public around the area. Although the office of the medical officer of Health had warned regarding this, the Sabha had not taken action up to 14 September 2015.

4. **Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of systems and Controls.

- (a) Accounting
- (b) Collection of Revenue
- (c) Budgetary Control
- (d) Fixed AssetsControl